

Message Text

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21-12

ORIGIN TRSE-00

INFO OCT-01 EUR-25 ISO-00 SPC-03 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 DRC-01 IO-14

/183 R

66612

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11/16/73 EXT 2884

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SPECIAL CHARGE: TREASURY TX-387

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R 162356Z NOV 73

FM SECSTATE WASHDC

TO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

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E.O. 11652: N/A

TAGS: EFIN

SUBJECT: TWO-TIER GOLD SYSTEM

GOVERNMENT TO WHICH YOU ARE ACCREDITED EITHER PARTICIPATED IN
OR WAS FULLY INFORMED AT THAT TIME OF DECISION LAST WEEKEND AT
BASLE TO TERMINATE THE MARCH 1968 AGREEMENT ON THE TWO-TIER
GOLD SYSTEM. WE HAVE SENT A CIRCULAR MESSAGE TO OTHER
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DIPLOMATIC POSTS TEXT OF WHICH IS REPEATED BELOW FOR YOUR

INFORMATION AND IN YOUR DISCRETION THAT OF HOST GOVERNMENT.

QUOTE: 1. YOU MAY WISH TO INFORM APPROPRIATE FINANCIAL OFFICIALS OF HOST GOVERNMENT -- CENTRAL BANK AND MINISTRY OF FINANCE -- OF DECISION, IN THE LIGHT OF CHANGED CONDITIONS, TO TERMINATE THE TWO-TIER GOLD SYSTEM ESTABLISHED IN MARCH 1968. THIS DECISION WAS TAKEN BY THOSE CENTRAL BANKS WHICH HAD INITIATED THE ORIGINAL COMMUNIQUE ON THIS SUBJECT TO WHICH OTHER IMF MEMBERS HAD SINCE ADHERED.

2. THIS MEANS THAT THERE IS NO LONGER ANY INHIBITION ON SALES OF GOLD FROM MONETARY STOCKS TO THE PRIVATE GOLD MARKET WHEN THE PRICE THERE IS ABOVE THE MONETARY PRICE. THE IMF ARTICLES HAVE NOT BEEN CHANGED, HOWEVER, AND ARTICLE IV, SECTION 2 CONTINUES TO PROHIBIT GOLD PURCHASES AT A PRICE ABOVE THE MARGIN AROUND PAR VALUES OR SALES AT A PRICE BELOW SUCH MARGIN. PURCHASES ARE THUS CURRENTLY PROHIBITED. THE UNITED STATES EXPECTS THE ARTICLES TO BE OBSERVED BY CENTRAL BANKS ALTHOUGH THE FRENCH, WHO WERE NOT PARTIES TO THE ORIGINAL 1968 COMMUNIQUE OR THE RECENT CHANGE, HAVE QUESTIONED THE APPLICABILITY OF THIS ARTICLE IN PRESENT CIRCUMSTANCES.

3. THE UNITED STATES HAS NOT ITSELF DECLARED IN WHAT CIRCUMSTANCES OR MANNER IT MIGHT SELL GOLD TO THE MARKET BUT, IN THE LIGHT OF THE NEW AGREEMENT, MAY NOW MAKE SALES WHEN IT CONSIDERS IT DESIRABLE TO DO SO IN SUCH AMOUNTS AND WAYS AS IT FEELS APPROPRIATE, AS MAY OTHER COUNTRIES. UNQUOTE. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 16 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE227277
Document Source: CORE
Document Unique ID: 00
Drafter: TREASURY:TPNELSON
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731128/aaaaaubo.tel
Line Count: 90
Locator: TEXT ON-LINE
Office: ORIGIN TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 01 OCT 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01-Oct-2001 by eisnerah>; APPROVED <06 MAR 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TWO-TIER GOLD SYSTEM GOVERNMENT TO WHICH YOU ARE ACCREDITED EITHER PARTICIPATED IN
TAGS: EFIN, SZ
To: BERN MULTIPLE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005